



*INTERIM REPORT*

**1968**

# DENISON MINES LIMITED

4 KING STREET WEST • TORONTO 1, CANADA



363-4991

## TO OUR SHAREHOLDERS:

I am pleased to report that operations for the six months ended June 30, 1968 indicate a consolidated net profit of \$6,141,000 or \$1.37 per share, an increase of \$2,131,000 or 47¢ per share over the same period last year.

The current year figures reflect a substantial increase in revenue from investments, particularly from the sale of investment in shares of other companies, and higher uranium earnings.

At the Denison Mine, a daily average of 3,989 tons was milled during the period in contrast to a daily average for 1967 of 3,416 tons. Programs outlined in previous reports to you which are designed to strengthen our competitive position in a growing world uranium market are being advanced. These relate to underground development, equipment replacement and methods improvement and will clearly increase the efficiency at our Elliot Lake operation.

Contracts were entered into with two private concerns in West Germany for the delivery during the latter part of this year of 800,000 pounds of uranium concentrates. Deliveries to be made under the Canadian Government stock pile contract will be reduced by an equivalent quantity. Deliveries commencing in the second half of 1969 under the Japanese contracts will also replace deliveries under the government's stock piling program. Thus, our reliance on this program is being substantially reduced and, as a result, higher unit prices will be realized for the sale of our concentrates.

During the period, Michigan Chemical Corporation refused to accept delivery of yttrium oxide tendered by the Company under a firm contract entered into with your Company in a preceding period. Following unsuccessful negotiations with the Corporation, your Company filed a complaint in the U.S. Courts under which it is claiming damages of approximately \$2,400,000.

Lake Ontario Cement Limited, a 55% owned subsidiary, enjoyed record high cement shipments in the six months ended June 30 and the operating profit of \$110,000 exceeded by \$294,000, the results for the same period last year. The net loss for the period



# DENISON MINES LIMITED

Six months ended June 30  
1968 1967

## Summary of Consolidated Earnings

Net income before item shown below .....	\$ 6,141,000	\$4,010,000
Taxes on income .....	—	—
Net profit for the period .....	\$ 6,141,000	\$4,010,000

1-37

90 cents.

## Consolidated Statement of Source and Application of Funds

### SOURCE OF FUNDS

Current operations .....	\$ 6,637,000	\$4,390,000
Investment in other companies .....	3,098,000	(505,000)
Mortgages and other secured loans .....	98,000	—
Debenture of unconsolidated subsidiary ..	200,000	200,000
Advances against concentrates to be delivered under firm contracts .....	8,603,000	—
	<u>\$18,636,000</u>	<u>\$4,085,000</u>

### APPLICATION OF FUNDS

Additions to property, plant and equipment — net .....	\$ 2,923,000	\$2,441,000
Special refundable tax .....	—	39,000
Concentrates held for sale .....	1,521,000	612,000
Dividends .....	3,132,000	1,566,000
	<u>\$ 7,576,000</u>	<u>\$4,658,000</u>

Increase (decrease) in working capital .....	<u>\$11,060,000</u>	<u>\$ (573,000)</u>
--	---------------------	---------------------

### NOTE:

Gross operating revenue in the six month period ended June 30, 1968 increased by 2.5% over the corresponding period in 1967.

was \$113,000 after absorbing a loss on disposal of fixed assets in the amount of \$223,000. Barring unforeseen labour difficulties, it is expected that sales and profits for the year will show a marked improvement over 1967.

The sales commission contract between the Company and Jean Bodson has been terminated by mutual agreement. At the time of termination on July 17, 1968, the indebtedness referred to in the Company's Annual Report for 1967 which was owing by or guaranteed by him to a subsidiary of the Company was repaid and the Company made a payment which exceeded such indebtedness by approximately \$250,000. He has ceased to represent the Company or to be associated with it in any way and neither he nor the Company has any further obligation to the other.

The rapid growth of the nuclear industry continues in 1968. During the first half of this year plans were made known by U.S. electric utilities for 14 nuclear power plants bringing the total to 102 with an output capability of 73,000,000 kilowatts. These plants, 15 of which now are in operation plus the 87 others under construction or definitely planned, will produce more power than the entire U.S. production only 20 years ago.

The large and growing number of nuclear plants already scheduled for start-up in the next few years emphasizes the world's need for an essential energy material — uranium. Indeed, by 1980 the accumulated sales of uranium concentrates are expected to be in the order of \$8 billion of which half will be in the United States.

Present policies restrict the import and usage of foreign uranium by U.S. utilities. This policy which was adopted to support domestic producers during difficult years is under review. The Atomic Energy Commission has stated that a date for lifting the restrictions fully or on a graduated schedule will be announced as early as possible.

The intense interest of the industry in finding new uranium ore deposits is reflected in exploration drilling and expenditures. An all-time high was set in 1967 and industry estimates for the next 4 years show a rapidly accelerating exploration pace.

Our efforts in the search for uranium and other minerals have been expanded and intensified in 1968. Of particular significance is our participation in a joint exploration program, managed by your Company, covering 1,644,000 acres in north-eastern Saskatchewan and an adjacent area in Manitoba. Other major joint ventures, now



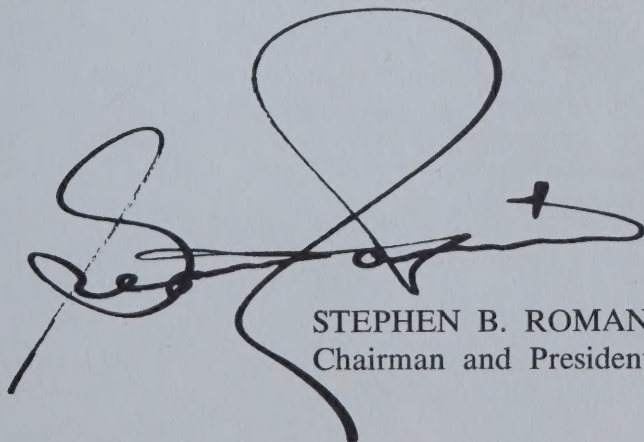
under discussion with interested parties, are expected on extensive land holdings which have been acquired by your Company in Canada and the United States. Large tracts of land have been staked or otherwise acquired over target areas selected for their uranium exploration potential in Colorado, Montana, Wyoming and Quebec. Diamond drilling and other exploration work is in progress in the Blind River and other uranium areas of Ontario. Our search has extended into other parts of the world also and programs currently are being carried out in Ireland and Jamaica.

The fully paid for productive facilities of your Company at Elliot Lake situated on uranium reserves of 300,000,000 pounds will be competitive with those to be found anywhere in the world. Their tremendous value to your Company is assured by the rapidly growing nuclear industry.

We are very optimistic with respect to the future growth of the nuclear industry and your Company's participation in it. We will continue to take a positive approach to policies which will enable consumers to satisfy their fuel demands on a long-term basis and to programs of mine development and exploration for new ore bodies which will assure the future requirements of customers.

I wish to take this opportunity to again thank all our shareholders for their continued support and interest in the Company's progress.

On behalf of the Board of Directors,

A large, stylized handwritten signature in black ink, likely belonging to Stephen B. Roman. The signature is fluid and cursive, with a prominent loop at the top and a long, sweeping underline that extends to the right.

STEPHEN B. ROMAN,  
Chairman and President.

Toronto, Ontario,  
July 31, 1968.

